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ABSTRACT

A brief overview of the recommendations of the National Commission on Student Financial Assistance is presented. The Commission was asked to answer 24 congressionally determined questions, and to report its findings on each within 2 years. Major findings and recommendations are presented concerning: satisfactory academic progress, the in-school interest subsidy that the federal government pays under the Guaranteed Student Loan (GSL) program, the insurance premiums charged to borrowers under the GSL program, the special allowance of the GSL, administration of student financial assistance programs, the impact of the student aid programs and their effect on student access and choice, graduate education student financing, and the appropriate balance between various types and sources of student aid. Findings include the following: no systematic effort was being undertaken to assess the standards currently being employed by postsecondary institutions; the enforcement of these standards was not being sufficiently monitored by the U.S. Department of Education; and the buying power of student financial assistance has been eroding and aid distribution patterns have been unbalanced. The titles, prices, and publication numbers of the seven Commission reports and 41 commissioned papers are listed. (SW)

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AMERICAN COUNCIL ON EDUCATION

Policy Brief

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Division of Policy Analysis and Research — January 1984

THE NATIONAL COMMISSION ON STUDENT FINANCIAL ASSISTANCE: A Summary of its Recommendations

This summary, prepared for ACE and for the National Student Aid Coalition, is intended to provide a brief overview of the Commission's recommendations that were included in the several individual reports issued by the Commission. The summary was prepared by Scott E. Miller, formerly with the National Commission on Student Financial Assistance, and now a senior research associate at the American Council on Education.

Readers may also be interested in a general statement by Richard Jerue, the Commission's former chief executive officer, titled "Student Aid: Good Public Policy," which appeared in *AGB Reports*, November-December, 1983, pp. 4–8.

Commission History

As part of the 1980 Reauthorization of the Higher Education Act, Congress established the National Commission on Student Financial Assistance. Four members of the Commission were appointed by the President of the United States, four by the President Pro Tempore of the United States Senate, and four by the Speaker of the United States House of Representatives. The Commission was intended to be bi-partisan in nature, as evidenced by the requirement that its Congressional members be from each political party. Its charge was unlike that of many previous federal commissions in that its mandate was not broad and unspecified, but one representing many specific Congressional concerns. The Commission was asked to answer 24 Congressionally determined questions, and to report its findings on each of these within two years.

To accomplish the tasks before it, the Commission established eight subcommittees of its membership. Four of these subcommittees investigated single issues during the first year of the Commission—the Guaranteed Student Loan in-school interest subsidy, special allowance and insurance premium payments under the GSL program, and satisfactory progress requirements for all Title IV assistance. The second set of subcommittees addressed the remaining issues under the headings of governance and administration, sources of funds, graduate education, and appropriate balance. All of the subcommittees, with the exception of appropriate balance, have issued their final reports and recommendations. These recommendations are presented below. Additionally, the Commission published a comprehensive description of the GSL program—"Guaranteed Student Loans: A Background Paper."

Commission Reports

1. Satisfactory Academic Progress

As a result of its hearings and the research it conducted on the subject of academic progress, including a survey of financial aid administrators, the Commission identified two major areas of concern. First, it found no systematic effort to assess the standards currently being employed by postsecondary institutions. And second, it concluded that the enforcement of these standards was not being sufficiently monitored by the U. S. Department of Education. In order to remedy these problems, the Commission recommended that:

- The U.S. Department of Education adopt its May 4, 1982 proposed rulemaking on satisfactory academic progress which incorporates the postsecondary education community's self-regulatory initiative.
- All Title IV eligible institutions submit a copy of their satisfactory academic progress standards to the U.S. Department of Education as part of a one-time effort to assemble these standards.
- The U.S. Department of Education, in cooperation with Congress and the higher education community, evaluate these progress standards to determine their com-

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patibility with the Department's proposed rule. This report is to be delivered to Congress within six months after the standards are collected.

- The U.S. Department of Education collect the standards from all schools applying for Title IV eligibility and be forwarded any revisions to existing academic progress standards.
- The U.S. Department of Education continue its cooperative efforts with the higher education community and postsecondary institutions on satisfactory academic progress and include nationally recognized accrediting associations and agencies in the effort.

2. GSL In-School Interest Subsidy

The Commission was directed to review proposals to amend or eliminate the in-school interest subsidy that the federal government pays under the Guaranteed Student Loan program. As part of its review, the Commission looked at plans that would require borrowers to pay interest while they remained in school, that would have the interest accrue to the borrower during the in-school period, and that would require the student to borrow an additional amount to cover the interest payments.

The Commission evaluated these proposals in terms of their administrative feasibility, their effect on the supply of student loan capital, and their impact on total student indebtedness. Based on this study, the Commission concluded that the in-school interest subsidy is a vital and irreplaceable component of the Guaranteed Student Loan program. Elimination of the subsidy would weaken the program's ability to provide students with access to low-cost capital to finance their postsecondary education. Therefore, the Commission unanimously adopted the recommendation to support strongly the retention of the Guaranteed Student Loan in-school interest subsidy in its current form.

3. GSL Insurance Premium

The Commission was also directed to conduct a study of the insurance premiums charged to borrowers under the GSL program. The insurance premium is intended to be used by state guaranty agencies as a reserve against potential defaults. After thorough consideration, including a review of guaranty agency financing, the Commission concluded that the insurance premium was not being used for its intended purpose, but rather was being used to aid in the general financing of guaranty agencies—representing 22 percent of their total operating revenue.

The Commission recommended that the name of the insurance premium be changed to "service fee" and that a formula be adopted that would determine the level of the service fee charged in each state. The Commission also recommended that state agencies be reinsured at 100 percent for all defaulted loans and that agencies continue to receive an adequate administrative cost allowance from the federal government. Other recommendations involved methods to improve the cash flow of these agencies and to recoup certain advance monies that were received by state agencies. The Commission recognized that its recommendations for solving the problems represented one approach, and that others might be equally effective.

4. GSL Special Allowance

The special allowance is the largest cost component of the GSL program, providing payments to lenders to compensate them for making loans at a rate below market value. In examining the issue of determining an adequate yet appropriate rate of special allowance, the Commission considered:

- the experiences of students and eligible lenders;
- the administrative costs of various types of eligible lenders;
- the financial indicators which accurately reflect the costs of capital; and
- administrative mechanisms for rapidly disseminating to lenders the quarterly rate of the special allowance.

The Commission suggested that the adequacy of the special allowance be continually reviewed by the Congress and the U.S. Department of Education. According to the Commission, the volatility of the financial markets and the uncertainties created by the various new financial instruments introduced in recent years may require future adjustments in the special allowance if an adequate supply of student loan capital is to be maintained. Therefore, the Commission recommended that the special allowance formula should be retained in its current form at this time.

5. Governance and Administration

The Commission's work in the area of governance and administration focused on improving the efficiency of the aid delivery system and its ability to serve students properly. The research conducted by the Commission and the hearings it held on these topics revealed a widely held concern that the current delivery system was confusing, unpredictable, and unstable. The desire of all participants in the student aid delivery process to remedy these inadequacies was apparent throughout the Commission's investigations and in the final report on this topic, entitled "Assuring the Effective Delivery of Student Financial Assistance."

One of the most significant recommendations of the Commission in this area involved the need for a master calendar that would manage the decisions relating to the annual funding levels, awarding procedures, and eligibility criteria for the Title IV programs. The Commission included a detailed calendar in its final report.

Other recommendations of the Commission in the area of governance and administration included:

- requiring that rules governing the Title IV programs be finalized at least one year in advance;
- requesting the U.S. Department of Education to publish a catalog of regulations and to do a better job of disseminating regulatory changes;
- encouraging the federal government to take the lead in promoting high technology adaptations to the delivery of student assistance;
- requesting the Congress and the U.S. Department of Education to review the Pell Grant processing system and to consider allowing campuses to perform error corrections;
- requesting the U.S. Department of Education to assume its primary role in disseminating information on student aid programs to parents and students, and that this effort be increased at the secondary school level; and
- supporting the continued funding of the TRIO programs.

The Commission also recommended that the GSL delivery system be improved by:

- continuing to encourage the work of guaranty agencies to reduce defaults;

- establishing a coordinated, national effort to collect information on the participants and processes of the Guaranteed Student Loan program;
- developing a national data base containing information on all of the participants in the delivery of Guaranteed Student Loans; and
- improving efforts to completely and thoroughly inform borrowers of their obligations before they borrow.

In order to aid in minimizing defaults, the Commission recommended specific guidelines to be followed by all those involved in disbursing student loans.

6. Sources of Funds

The studies conducted under this heading addressed questions regarding the impact of the student aid programs and their effect on student access and choice. In the report titled "Access and Choice," the Commission points to the steady erosion of the buying power of student financial assistance and to the existence of imbalances in aid distribution patterns. Among the findings of the Commission's research in this area were:

- inadequacies in the federal responses to the elimination of student social security benefits;
- a trend in funding that has caused the GSL program to garner a larger and larger share of federal dollars;
- indications that low-income and minority students are receiving a declining proportion of student assistance;
- contradictions in student aid and public assistance policies that make it difficult for the poorest students to receive financial aid;
- increases in the rates of students working during school;
- evidence that the GSL program is a cost-effective financing mechanism for students and the federal government; and
- evidence of discrimination by some lenders against certain categories of GSL borrowers.

The Commission produced very detailed recommendations on the subject of sources of funds. It urged the continued support of the Pell Grant program and the expansion of the campus-based federal student aid programs. The Commission also recommended that increases in the cost of attendance should be met by increased funding and continued targeting of the programs on low-income students. Other recommendations included:

- placing greater emphasis on work-study programs;
- expanding information dissemination efforts especially at the postsecondary level; and
- resolving contradictions between student aid and public assistance programs.

Additionally, the Commission repeated its call for maintaining stability in the aid programs and the need for a master calendar.

7. Graduate Education

The Commission's investigation of graduate student financing explored the whole issue of the health of graduate education in the United States. In a report entitled "Signs of Trouble and Erosion," the Commission warned that the federal government may be neglecting graduate education and it concluded that a commitment must be made to improve the quality of graduate education and student access to these programs. The Commission identified ten priorities for federal action and recommended increased funding of existing programs in order to:

- ensure support for talented graduate students;
- increase the numbers of talented women in graduate education;
- increase the numbers of talented minority students in graduate education;
- maintain and enhance the nation's strengths in graduate research;
- ensure that graduate laboratories, equipment, and instrumentation are of high quality;
- enhance the quality of scholarly libraries and ensure that valuable collections are maintained;
- attract and retain promising young scholars as faculty members;
- meet pressing national needs for highly trained experts;
- evaluate the impact of the federal government's decisions on the nation's needs for graduate-educated men and women; and
- improve both the quantity and the quality of information about graduate education.

8. Appropriate Balance

The Commission's look at the appropriate balance between various types and sources of student aid entailed research into the role of state and private sources of student aid, loan indebtedness, and trends in the distribution of student aid. Additionally, the Commission funded an updated study of the impact of the SSIG programs, surveyed state decision makers, and conducted a major study of the student assistance received by students attending proprietary institutions.

While the subcommittee has not released its final report as of this date, some of its findings were included in a staff draft. These findings included:

- evidence of the importance of continuing the SSIG program in order to maintain state support of student aid programs;
- concern over the high levels of unmet need among aid recipients; and
- concern over increased levels of indebtedness, especially among the lowest income and proprietary students.

The Commission will not make recommendations on how to achieve an appropriate balance until this report is finalized.

Acquiring Commission Reports

The information presented above represents only a brief summary of the work of the National Commission. In addition to the reports detailed above, the Commission contracted for approximately forty studies of specific issues relating to student financing. Collectively, they form a very valuable resource of up-to-date information on the shape of student aid in the United States and its impact on postsecondary students.

All of the reports and papers listed below are available through the Educational Resources Information Center (ERIC) system, Document Reproduction Service, P.O. Box 190, Arlington, Virginia, 22210, (703) 841-1212. The Clearinghouse accession number and the cost is listed after each title. If a title does not have a number or cost, it is still being

processed and will be available shortly.

COMMISSION REPORTS

"Access and Choice: Equitable Financing of Postsecondary Education (Report No. 7)"

"Assuring the Effective Delivery of Student Financial Assistance (Report No. 6)"

"Guaranteed Student Loans: A Background Paper (Report No. 1)" ED228950, $3.90

"Study of the Insurance Premium Charged to Borrowers Under the Guaranteed Student Loan Program (Report No. 3)" ED228955, $3.90

"Study of Procedures to Eliminate the Guaranteed Student Loan In-School Interest Subsidy (Report No. 2)" ED228949, $7.40

"Study of the Special Allowance Formula of the Guaranteed Student Loan Program (Report No. 4)" ED228948, $7.40

"Satisfactory Academic Progress Standards for Federal Student Aid Recipients (Report No. 5)" ED228957, $7.40

COMMISSIONED PAPERS

"Financial Issues in Graduate Education and An Agenda for Research" ED228958, $5.65. Raymond B. Anderson, Columbia University and Allen R. Sanderson, Princeton University.

"Financing Graduate Education: Graduate Student Borrowing, Needs of the Disadvantaged and Under-represented, and the Climate for Graduate Study." Paul Butler-Nalin, Allen R. Sanderson, David N. Redman, Consortium on Financing Higher Education.

"The Impact of Federal Student Financial Assistance on Tuitions, Institutional Student Aid and Alumni Giving". Nathan Dickmeyer, Monterey Institute of International Studies.

"Criteria for the Evaluation of Student Loan Alternatives" ED228936, $5.65. Stephen P. Dresch, Institute for Demographic and Economic Studies, New Haven, Connecticut.

"A Demographic Overview of Post-Secondary Education" ED228935, $2.15. Harriet Fishlow, University of California, Berkeley.

"Basic Facts on College-Going Rates By Income, Race, Sex, and Age; 1970 to 1980" ED228934, $5.65. Carol Francis, Washington, D.C.

"The Overeducated American in the 1980s" ED228933, $3.90. Richard B. Freeman, Harvard University.

"Support of Graduate and Professional Students" ED228974, $10.90. Joseph Froomkin, Washington, D.C.

"Graduate and Professional Education: A Review of Recent Trends" ED228932, $9.15. Michael S. Garet, Stanford University and Paul Butler-Nalin, Consortium on Financing Higher Education, Stanford University.

"Characteristics of State Grant Programs in 1982-83" ED228947, $2.15. Donald A. Gillespie, Washington Office of The College Board.

"Another Look at SSIG" ED228946, $2.15. Janet S. Hansen, Washington Office of The College Board.

"Summary of College Board Studies on the SSIG Program" ED228945, $2.15. Janet S. Hansen, Washington Office of The College Board.

"Discretionary Income and College Costs" ED228944, $2.15. Terry W. Hartle, Richard Wabnick, Educational Policy Research Institute of Educational Testing Service, Washington, D.C.

"The Educational Indebtedness of Graduate and Professional Students" ED228972, $5.65. Terry W. Hartle, Richard Wabnick, Educational Policy Research Institute of Educational Testing Service, Washington, D.C.

"'Terrain Paper' on Demography and Higher Education" ED228938, $2.15. Harold L. Hodgkinson, NTL Institute, Arlington, Virginia.

"The Federal Role in Postsecondary Education" ED228937, $3.90. Virginia Hodgkinson, Independent Sector, Washington, D.C.

"The Role of Educational Debt in Consumers' Total Debt Structure" ED228939, $5.65. Robert Johnson, The Credit Research Center, Purdue University.

"Undergraduate Postsecondary Education" ED228940, $3.90. Barbara A. Lee, Carnegie Foundation, Washington, D.C.

"Changes in College Participation Rates and Student Financial Assistance: 1969, 1974, 1981" ED228941, $5.65. John B. Lee, Applied Systems Institute, Inc., Washington, D.C.

"Changing Characteristics of Student Aid Recipients: 1974, 1981" ED228943, $3.90. John B. Lee, Applied Systems Institute, Inc., Washington, D.C.

"Overview of the State Allocation Process for Campus-Based Student Aid" ED228973, $2.15. John B. Lee, Applied Systems Institute, Inc., Washington, D.C.

"Study of Guaranteed Student Loan Default Rates" ED228952, $7.40. John B. Lee, Applied Systems Institute, Inc., Washington, D.C.

"Work Patterns of Full-Time College Students in 1974 and 1981" ED228969, $2.15. John B. Lee, Applied Systems Institute, Inc., Washington, D.C.

"Corporate Education and Training" ED228931, $3.90. Marsha Levine, American Enterprise Institute, Washington, D.C.

"Education and Training in Labor Unions" ED228951, $3.90. John R. MacKenzie, University of the District of Columbia.

"State Responses to Federal Policies on Student Financial Assistance: A Survey of State Legislation" ED228956, $3.90. National Conference of State Legislators, Washington, D.C.

"Student Financial Assistance and State Policy" ED228955, $5.65. National Governors' Association, Center for Policy Research, Washington, D.C.

"An Assessment of Financial Aid Packaging for Students Attending Independent Colleges and Universities" ED228954, $2.15. National Institute of Independent Colleges and Universities, Washington, D.C.

"Study of the Impact of Federal Student Financial Aid Policies on State Decisions". George J. Nolfi, Washington, D.C.

"Resolving the Contradictions of Federal Public Assistance and College Opportunity Policies: Legislative Recommendations" ED228971, $3.90. David Paul Rosen, David Paul Rosen & Associates, Oakland, California.

"The Effects of Phasing Out Social Security Benefits" ED228970, $3.90. David Paul Rosen, David Paul Rosen & Associates, Oakland, California.

"The Interactions of the Student Aid Office". Thomas Rutter and Larry Braxton, National Educational Management, Inc.

"Toward Improvement of Credit Policies on Guaranteed Student Loans" ED228953, $3.90. Robert P. Shay, Columbia University.

"Summary of SHEEO Survey" ED 228930, $14.40. State Higher Education, Executive Officers Association, Washington, D.C.

"Student Aid Information: Summary of Development and Dissemination Efforts". Kristen Stelck, Sacramento, CA.

"Historical Overview of the Role of State Guarantee Agencies in the Guaranteed Student Loan Program" ED228929, $3.90. Touche Ross & Company, Washington, D.C.

"Study of the Cost and Flows of Capital in the Guaranteed Student Loan Program" ED228927, $12.65. Touche Ross & Company, Washington, D.C.

"Study of the Cost to Borrowers of Participating in the Guaranteed Student Loan Program" ED228928, $5.65. Touche Ross & Company, Washington, D.C.

"Study of the Cost to Deliver Student Financial Aid on Campus" ED228926, $10.90. Touche Ross & Company, Washington, D.C.

"Proprietary Vocational Schools and Federal Student Aid: Opportunities for Disadvantaged". Wellford W. Wilms, University of California, Los Angeles.

"Proprietary Vocational Schools: A Significant Sector of American Postsecondary Education" ED228942, $3.90. Wellford W. Wilms, University of California, Los Angeles.

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